98TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 98-317

DISAPPROVAL OF EXTENSION OF WAIVER AUTHORITY UNDER THE TRADE ACT OF 1974 TO THE PEOPLE'S REPUBLIC OF CHINA

JULY 26, 1983.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. ROSTENKOWSKI, from the Committee on Way and Means, submitted the following

ADVERSE REPORT

together with

DISSENTING VIEWS

[To accompany H. Res. 258]

The Committee on Ways and Means, to whom was referred the resolution (H. Res. 258) disapproving the President's recommendation to extend certain waiver authority under the Trade Act of 1974 with respect to the People's Republic of China, having considered the same, report unfavorably thereon, and recommend that the resolution do not pass.

PURPOSE AND SUMMARY

House Resolution 258, introduced on June 30, 1983, would disapprove the recommendation of the President transmitted to the Congress on June 3, 1983, to extend the waiver authority in section 402(c) of the Trade Act of 1974 with respect to the People's Republic of China (PRC) for an additional 12 months.

Imports from the People's Republic of China are currently subject to column 1 (MFN) rates of duty under the Tariff Schedules of the United States (TSUS), effective February 1, 1980, the date on which the U.S.-PRC Trade Agreement entered into force.

Adoption of H. Res. 258 would result in the discontinuation of MFN for the PRC and restoration of the generally higher column 2 rates of duty under the TSUS applicable to non-MFN countries. Further, the PRC would no longer be eligible for Government credits or investment guarantees.

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The U.S.-PRC bilateral trade agreement first took effect on February 1, 1980, following passage by both Houses of Congress of concurrent resolutions approving the extension of nondiscriminatory (MFN) treatment to imported products from the PRC.

On October 23, 1979, the President transmitted to the Congress the text of the Agreement on Trade Relations between the United States of America and the People's Republic of China (PRC) signed on July 7, 1979, a proclamation extending MFN treatment to the products of the PRC upon Congressional approval, and a notice of intent to issue a waiver on October 23, of the application of section 402 requirements with respect to the PRC. On January 24, 1980, the House passed H. Con Res. 204 by a vote of 294–88, and the Senate passed it by a vote of 74–8 on the same day. The Agreement entered into force and MFN treatment was extended to imports from the PRC on February 1, 1980, the date on which the exchange of written notices of acceptance took place.

The waiver authority applicable to the People's Republic of China has been reviewed every year since 1980. On August 18, 1982, Congressman Richard T. Schulze introduced H. Res. 570 disapproving the extension of the waiver authority to the PRC. No action was taken on that resolution. No other resolutions of disapproval had been introduced in the House with respect to China prior to introduction of H. Res. 570.

COMMITTEE ACTION

The Subcommittee on Trade held hearings on July 14, 1983, to consider continuation of MFN tariff treatment for the PRC, as well as for Romania and Hungary. Administration officials testified in favor of continued MFN for China. Congressman McDonald opposed extension of MFN for China.

On July 20, 1983, the Subcommittee on Trade ordered House Resolution 258 reported unfavorably to the Committee on Ways and Means by voice vote. On July 26, 1983, the Committee ordered House Resolution 258 reported unfavorably by voice vote.

GENERAL STATEMENT

Emigration

More people are willing and able to emigrate from the PRC than receiving countries are willing to accept. The annual quota on U.S. immigration from China: mainland-born from all countries in the world is 20,000. In addition, an estimated 5,000 immediate relatives enter without limit In the past year, the U.S. Embassy in Beijing and the Consulate General in Guangzhou (Canton) together issued over 9,500 immigrant visas. This constitutes over 25 percent increase from the previous year, reflecting a greater availability of immigrant visa numbers stemming from the establishment of a separate quota for Taiwan. Over 50,000 immigration petitions, approved by the U.S. Immigration and Naturalization Service remain awaiting the availability of immigration spaces. In addition to the United States, sizable numbers of Chinese have immigrated to Hong Kong, Canada, and countries in South Asia and South America.

U.S.-PRC Bilateral Trade

U.S. trade with China developed rapidly following diplomatic normalization in 1979. Total two-way trade, which had doubled between 1978 and 1979. and again between 1979 and 1980, continued to grow in 1981. Two-way trade in 1982, however, was only $5.2 billion, a decline of 5.5 percent from the $5.5 billion of 1981.

U.S. imports of Chinese goods as a percent of total trade have increased from 22 percent in 1980 to 34 percent in 1981, and to 44 percent in 1982. As a result, the U.S. trade surplus with China declined from a high of $2.7 billion in 1980 to $1.7 billion in 1981, and to $628 million in 1982.

Agricultural commodities have remained the predominant export to China since 1978. However, the share of agricultural products in U.S. exports to China has declined—from 70 percent in 1978 to 51 percent in 1982, reflecting a more rapid expansion of U.S. nonagricultural exports to China. Heading the list of U.S. nonagricultural sales in recent years were machinery and transport equipment, synthetic resin, fertilizers, kraft paper and paperboard, man-made fibers, woodpulp, and lumber products.

Although U.S. imports of Chinese agricultural goods grew steadily in recent years, their share in U.S. total imports from China declined from 30 percent in 1977 to 8 percent in 1982. (This pattern was temporarily distorted in 1981 by increased purchases of Chinese peanuts.) More than half of U.S. imports consisted of manufactured goods, principally textile products. Other leading manufactured goods imports included footwear, rugs, artworks, and antiques. The value of U.S. nonmanufactured, nonagricultural imports from China has registered rapid increases, especially since 1979, largely because of purchases of Chinese petroleum and petroleum products. U.S. imports of these products in 1982 reached $600 million, 26 percent of total imports from China.

Conclusion

The Committee on Ways and Means is of the view that extension of MFN trading status for the People's Republic of China for another year is important to continued development and improvement of United States economic and political relations with the People's Republic of China.

DISSENTING VIEWS OF MR. CRANE

Despite the apparent satisfaction of some of the members of this committee with the President's statement requesting an extension of Most Favored Nation (MFN) trade status to the communist countries of the Peoples' Republic of China (PRC), Romania and Hungary, I must question the wisdom and appropriateness of the decision to accept that view. I am opposed to extending MFN privileges to the three nations in question.

It is foolish for the United States government to force the taxpayer to provide what amounts to a subsidy for nations which oppose us and our policies. The governments of these countries are totalitarian and engage in all the attendant repressions of freedom and basic human rights. Although their internal policies differ slightly, each violates all of the conditions which Congress complains certain developing nations abuse.

MFN status should be reserved to those nations that share our belief in basic economic and personal freedoms. Such nations are, by definition, not communist. Each of the nations addressed by the resolutions of disapproval, by their actions, do not ascribe to the basic principles of human rights. Hungary and Romania are both members of the Warsaw Pact and as such provide troops and material to oppose our allies and support the goals of the Soviet Union. Favorable credit and trade with them can only mean that our financial resources are used to assist the Soviet Bloc. This is clearly contrary to our interests. It frees the Soviet Union of an economic burden and provides eastern Bloc nations with much-needed foreign exchange. Goods of totalitarian regimes are given access to and given an unfair competitive edge over those of the free-market economies.

The People's Republic of China (PRC) has recently warmed to the United States, but the reason seems obvious. They are fearful of the Soviet Union and desperately need to modernize and improve their economy. But we cannot lose sight of communist China's dismal record on human rights. In the last 30 years, the Chinese Government has executed 34–66 million Chinese citizens. The Government arbitrarily hands out death sentences for "counter-revolutionary" offenses. Chinese authorities continue to use "re-education-through-labor" as a form of detention without trial. In their zeal to reduce the population, some local officials in the provinces have abetted heinous human rights violations. Accounts have alleged cases of forced abortions, infanticide, detention, and psychological pressure to regulate the daily lives of their populace. Can the United States, in good conscience, grant Most Favored Nation status to this nation which oppresses, terrorizes, and murders its own citizens? MFN status is a privilege that the PRC, if it continues to repress its people, can never earn.

It is time for this Congress to examine the reasonableness of what we are doing when we consider whether or not we will grant special trade benefits and guarantees to communist countries. These special concessions should only be granted to our friends—to those who believe, with us, in a market economy, in a representative government—freely chosen, and above all, for those who respect the primary dignity and value of the individual.

The granting of economic aid to the People's Republic of China, Hungary, and Romania at the expense of the American wage earner is simply beyond logic. These are governments undeniably ruthless in the treatment of their own citizens—and contemptious of human rights. Let us not make the mistake of becoming accomplices in these illicit practices by granting these government special economic concessions through MFN.

PHIL CRANE.

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